



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ADAIR COUNTY SHERIFF**

Calendar Year 1999

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EXECUTIVE SUMMARY

ADAIR COUNTY RALPH CURRY, SHERIFF CALENDAR YEAR 1999 FEE AUDIT

On June 8, 2000, fieldwork on the Adair County Sheriff's 1999 fee audit was completed. An unqualified opinion was issued on the statement of receipts, disbursements, and excess fees.

New Findings:

Deposits were uninsured and uncollateralized by \$53,300 as of November 8, 1999.

Fee Account Financial Position:

Adequate funds were available to pay all 1999 fee account obligations.

Receipts and Disbursements:

The Sheriff received \$249,252 and disbursed \$184,870 during calendar year 1999. The Sheriff received a salary of \$57,765.

Excess Fees:

The Sheriff paid \$6,617 of excess fees to the county for calendar year 1999. Additional excess fees would have been due the county had the Sheriff not paid the county's share of social security of \$10,244 and the county's share of retirement of \$238.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENT AND RECOMMENDATION	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	15



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jerry M. Vaughan, Adair County Judge/Executive

Honorable Ralph Curry, Adair County Sheriff

Members of the Adair County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Adair County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$53,300 To Protect Deposits

To the People of Kentucky

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John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

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Honorable Ralph Curry, Adair County Sheriff

Members of the Adair County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 8, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -

June 8, 2000

ADAIR COUNTY
 RALPH CURRY, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Grants		\$	17,294
State Fees For Services:			
Finance and Administration Cabinet	\$	4,067	
Kentucky Law Enforcement Foundation			
Program Fund		<u>3,643</u>	7,710
Circuit Court Clerk:			
Sheriff Security Service	\$	7,740	
Fines and Fees Collected		<u>3,314</u>	11,054
Fiscal Court			3,600
County Clerk - Delinquent Taxes			3,284
Commission On Taxes Collected			112,957
Fees Collected For Services:			
Auto Inspections	\$	10,575	
Arrest Fees		600	
Serving Papers		15,727	
Carrying Concealed Deadly Weapon Permits		<u>4,030</u>	30,932
Other:			
Sheriff's Add On Fees - 10% Of Tax and Penalty	\$	12,031	
Copies and Miscellaneous		<u>252</u>	12,283
Interest Earned			2,130
Borrowed Money:			
State Advancement			<u>48,008</u>
Gross Receipts (Carried Forward)		\$	249,252

ADAIR COUNTY
 RALPH CURRY, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward)	\$	249,252
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Disbursements

Operating Disbursements and Capital Outlay:

Payments to State-

Carrying Concealed Deadly Weapon Permits	\$	2,400
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Personnel Services-

Deputies' Salaries	50,676
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Other Salaries	35,325
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Employee Benefits-

Employer's Share Social Security	10,244
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Employer's Share Retirement	238
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Materials and Supplies-

Office Materials and Supplies	3,517
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Uniforms	209
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Auto Expense-

Gasoline	5,567
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Maintenance and Repairs	1,205
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Other Charges-

Radio Repairs	683
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Dues	343
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Postage	374
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Bond	503
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Training and Testing Fees	624
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Miscellaneous	494
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Capital Outlay-

Vehicles	24,460
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Debt Service:

State Advancement	<u>48,008</u>
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Total Disbursements

<u>184,870</u>

Net Receipts

\$ 64,382

Less: Statutory Maximum

<u>57,765</u>

Excess Fees Due County for Calendar Year 1999

\$ 6,617

Payment to County Treasurer - February 4, 2000

<u>6,617</u>

Balance Due at Completion of Audit

<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

ADAIR COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 1999
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 8, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$53,300 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 8, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 1,500,000
Uncollateralized and uninsured	<u>53,300</u>
Total	<u><u>\$ 1,553,300</u></u>

Note 4. Drug Investigation Fund

Drug investigation funds are to be used for drug enforcement expenses of the Sheriff's office and are kept separate from the fee account. As of January 1, 1999, the beginning balance was \$3,985. During calendar year 1999, the Sheriff's office received \$4,732 of forfeited money from drug arrests in the county and expended funds of \$3,558. As of December 31, 1999, the ending balance was \$5,159.

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 5. DARE Program Fund

DARE program funds are to be used for drug awareness and resistance education programs and are kept separate from the fee account. As of January 1, 1999, the beginning balance was \$2,287. During calendar year 1999, the Sheriff's office received \$1,436 of DARE program money and expended funds of \$1,115. As of December 31, 1999, the ending balance was \$2,608.

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COMMENT AND RECOMMENDATION

ADAIR COUNTY
RALPH CURRY, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 1999

The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$53,300 To Protect Deposits

On November 8, 1999, \$53,300 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

Will contact bank and increase pledge of securities.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Jerry M. Vaughan, Adair County Judge/Executive
Honorable Ralph Curry, Adair County Sheriff
Members of the Adair County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Adair County Sheriff's financial statement as of December 31, 1999, and have issued our report thereon dated June 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Adair County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Adair County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Jerry M. Vaughan, Adair County Judge/Executive
Honorable Ralph Curry, Adair County Sheriff
Members of the Adair County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 8, 2000

